

**FY 1999-2000
Budget Detail
for**

HUMAN SERVICES

**Community Health
Corrections**

Family Independence Agency

COMMUNITY HEALTH

PUBLIC ACT 114 OF 1999

Analysts:

Margaret Alston, Bill Fairgrieve, and Susan Higinbotham

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	6,305.3	6,136.3	(169.0)	(2.7)
GROSS	\$7,731,533,800	\$8,152,205,200	\$420,671,400	5.4
IDG/IDT	69,711,600	69,609,900	(101,700)	(0.1)
ADJUSTED GROSS	\$7,661,822,200	\$8,082,595,300	\$420,773,100	5.5
FEDERAL	3,850,305,700	4,188,318,300	338,012,600	8.8
LOCAL	866,448,200	814,567,500	(51,880,700)	(6.0)
PRIVATE	47,029,700	61,442,000	14,412,300	30.6
OTHER	291,144,900	382,122,500	90,977,600	31.2
GF/GP	\$2,606,893,700	\$2,636,145,000	\$29,251,300	1.1

HB 4299

Referred to Appropriations
2/23/99

Passed House
3/24/99

Passed Senate
5/27/99

Conference Approved
by House
6/10/99

Conference Approved
by Senate
6/10/99

Effective
7/13/99

OVERVIEW - COMMUNITY HEALTH

The Department of Community Health (DCH) budget provides funding for a wide range of Mental Health, Public Health, and Medicaid services. Also included in the budget are funds for the Office of Drug Control Policy, the Office of Services to the Aging, and the Crime Victim Services Commission. Gross appropriations for FY 1999-2000 are \$8.2 billion, of which \$2.6 billion is from GF/GP revenues. This represents a 5.4% increase in Gross appropriations and a 1.1% increase in GF/GP appropriations over the FY 1998-99 year-to-date funding. The lower growth rate of GF/GP is largely due to \$133.1 million in GF/GP savings from an increase in the federal Medicaid match rate from 52.72% to 55.11%.

Mental health initiatives in the budget include: an additional \$66.8 million to address projected expenditures by Community Mental Health Service Programs (CMHSPs) due to Medicaid managed mental health care, \$55.8 million in anticipated increased federal Medicaid earnings to CMHSPs, \$18.8 million for community-based programs due to the decline in the number of patients treated in state-operated psychiatric hospitals for persons with mental illness and centers for persons with developmental disabilities, \$13.7 million to recognize the full-year costs of wage increases to residential and nonresidential direct care workers, and an additional \$2.1 million to provide substance abuse treatment for Family Independence Agency recipients.

In the public health area, an additional \$1.2 million is appropriated to local health departments for increased costs associated with basic public health services. Healthy Michigan Fund appropriations are reduced by \$2.8 million overall, including increases of \$4.1 million and reductions of \$6.9 million for various projects; most of the reductions are imposed on projects that had received one-time increases in FY 1998-99. Federal funding increases are included for AIDS drug assistance, smoking prevention, family planning, abstinence programs, the WIC program, and housing and shelter projects. A \$947,500 increase is provided for the newborn screening program that is financed by an increase in the fees charged for newborn screening services.

The Children's Waiver Home Care program is consolidated into a single line item with additional funding of \$13.3 million to enable the program to serve more disabled children and to support a wage increase for home health agency workers serving these children. The Office of Services to the Aging appropriations are increased by \$5.1 million for respite care, \$3.0 million for a new long-term advisor, and \$1.0 million for physical improvements to senior citizen center facilities. There are no major funding changes for the Office of Drug Control Policy, and the Crime Victim Services Commission.

Medicaid cost increases of \$225.1 million are included to reflect health care inflation and for expenditures above the appropriated level in FY 1998-99 that are expected to continue in FY 2000. An additional \$117.7 million is appropriated for rate increases to qualified health plans, hospitals, nursing homes, and other medical services providers. A nursing home wage pass-through of \$0.75 per employee hour is funded at a cost of \$33.6 million. The personal needs allowance for Medicaid patients in nursing homes is also increased from \$30 to \$60 per month at a cost of \$11.1 million. Allocated for a new senior prescription drug insurance program, Elder Prescription Insurance Coverage (EPIC), is \$45.0 million in Tobacco Settlement Revenue and private premiums. Tobacco funds are also distributed for one-time, long-term care innovation grants. An increase of \$11.1 million is provided for Medicaid rural hospital initiatives, and \$10.9 million is allocated to expand Medicaid dental capacity around the state.

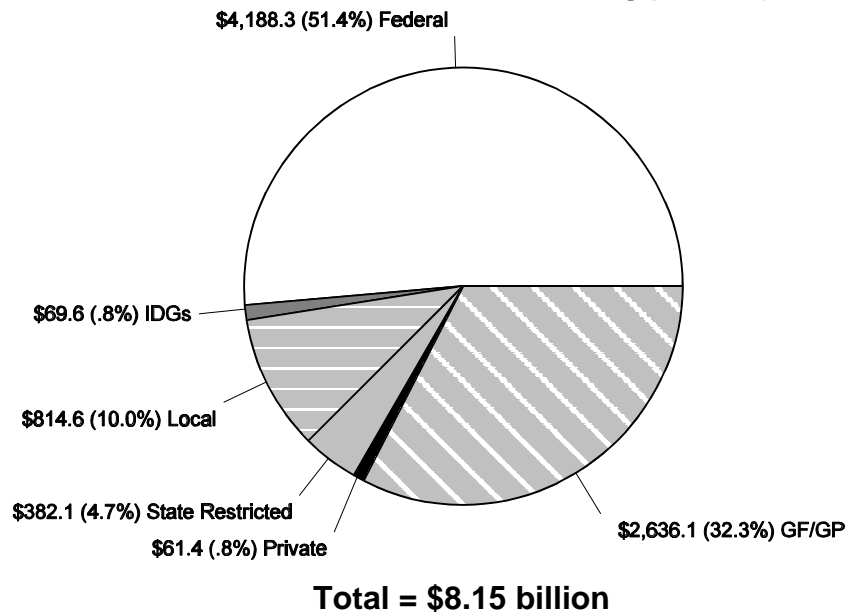
Fiscal Year 1998-99 supplemental appropriations include: \$104.2 million for Medicaid mental health managed care; \$20.0 million for a special financing payment related to community mental health fee-for-service expenditures; \$105.4 million to address Medicaid underfunding; \$2.0 million for an

Community Health

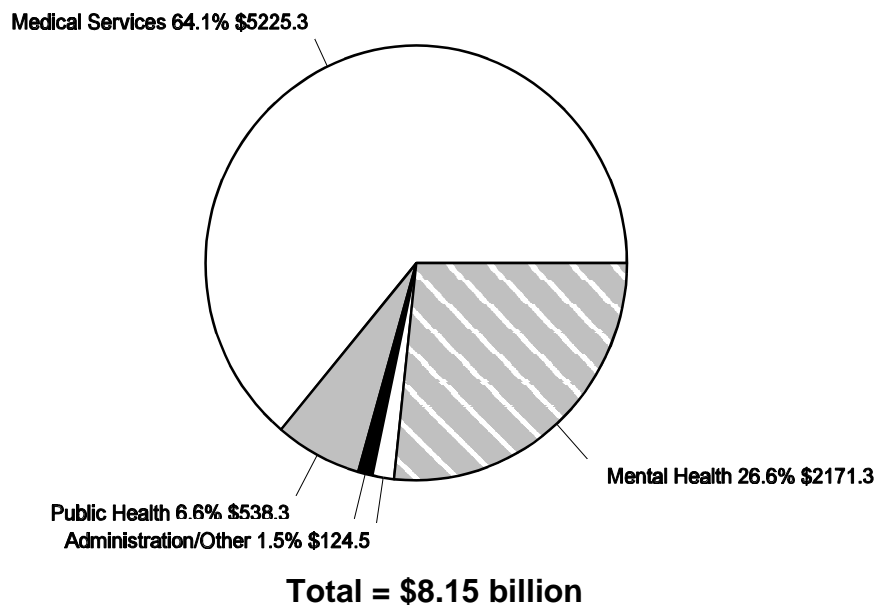
automated pharmacy claims adjudication system; and a \$6.0 million funding shift for the Michigan Pharmaceutical Program from state restricted revenues to GF/GP.

For FY 2000-01, \$2.2 billion is appropriated for Medicaid hospital, physician, and health plan services — which includes a 4% increase in payment rates.

Department of Community Health FY 1999-2000 Sources of Funding (Millions)



Department of Community Health FY 1999-2000 Appropriations (Millions)



MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
DEPARTMENTWIDE ADMINISTRATION		
1. <i>Departmental Administration and Management</i>	FTEs	\$0
The budget includes an additional \$2.6 million Gross and \$850,000 GF/GP for expanding the disaster recovery plan and capacity of the Medicaid Management Information System (MMIS) and the Women, Infant, and Children (WIC) Management Information System.	Gross	\$2,600,000
	GF/GP	\$850,000
MENTAL HEALTH		
2. <i>Southwest Community Partnership</i>	FTEs	0.0
The budget includes a \$997,200 reduction for a FY 1998-99 initiative entitled the "Southwest Community Partnership" to remove the excess federal authorization for this five-year grant. The Detroit-Wayne Community Mental Health Services Program, through the Southwest Detroit Mental Health Center, is responsible for developing an integrated mental health system for children with serious emotional disturbances and their families in the Southwest Detroit community.	Gross	(\$997,200)
	GF/GP	\$0
3. <i>Program Enhancement, Evaluation, and Data Services</i>	FTEs	0.0
The budget includes elimination of the Program Enhancement, Evaluation, and Data Services line item appropriation due to the removal of federal excess authorization for this program. This line item appropriation has supported grants to the 15 coordinating substance abuse agencies for evaluating the effectiveness of treatment programs and case management services through statewide prevention initiatives and research projects.	Gross	(\$1,137,600)
	GF/GP	\$0
4. <i>Children's Waiver Home Care Program</i>	FTEs	0.0
The budget includes the transfer of funds, totaling \$2.6 million Gross and \$2.4 million GF/GP, from community residential and support services and community mental health programs to a newly-created line item entitled "Children's Waiver Home Care Program." This program provides funds for home- and community-based services for children with developmental disabilities who live in the homes of their birth or legally adoptive parents.	Gross	\$0
	GF/GP	\$0
5. <i>Federal Medicaid Earnings by Community Mental Health Service Programs (CMHSPs)</i>	FTEs	0.0
An additional \$55.8 million Gross (\$0 GF/GP) is included in the budget for community mental health programs anticipating increased federal Medicaid earnings by CMHSPs in FY 1998-99.	Gross	\$55,842,500
	GF/GP	\$0
6. <i>Census Decline at State Hospitals and Centers</i>	FTEs	0.0
The budget includes an additional \$18.8 million Gross, and \$9.1 million GF/GP for CMHSPs due to the decline in the census at state-operated psychiatric hospitals for persons with mental illness and state-operated centers for persons with developmental disabilities. Of these funds, \$9.1 million has been redirected from state hospitals and centers.	Gross	\$18,770,400
	GF/GP	\$9,070,000
7. <i>Community Mental Health Medicaid Managed Care</i>	FTEs	0.0
An additional \$66.8 million Gross and \$30.0 million GF/GP is included in the budget to address projected expenditures by CMHSPs due to Medicaid managed mental health care.	Gross	\$66,830,000
	GF/GP	\$30,000,000

MAJOR BUDGET CHANGES: FY 1999-2000**Budget Issue****Change from FY 1998-99****8. Direct Care Workers**

An additional \$13.7 million Gross and \$3.2 million GF/GP is included in the budget for community mental health programs for the full-year costs associated with implementing the FY 1998-99 wage increase of \$0.75 per hour (including FICA) for direct care workers in day programs, supported employment, and other vocational services programs and the FY 1998-99 wage increase of \$0.50 per hour (including FICA) for direct care workers in local residential settings.

FTEs	0.0
Gross	\$13,742,500
GF/GP	\$3,280,100

9. Multi-cultural Services

The budget includes an additional \$100,000 for the Arab-American and Chaldean council, and an additional \$100,000 for ACCESS.

FTEs	0.0
Gross	\$200,000
GF/GP	\$200,000

10. Unrolling of CMH Program Line Items

The budget unrolls the community mental health program line item into the following: community mental health Medicaid managed care, community mental health non-Medicaid services, Multi-cultural services, and Medicaid substance abuse services.

FTEs	0.0
Gross	\$0
GF/GP	\$0

11. Substance Abuse Treatment for FIA Recipients

An additional \$2.1 million Gross, \$0 GF/GP is included in the budget to provided substance abuse treatment for recipients of the Family Independency Agency who failed drug tests.

FTEs	0.0
Gross	\$2,100,000
GF/GP	\$0

12. Forensic Center

An additional \$562,200 Gross and GF/GP is included in the budget for the Forensic Center to reflect increased staff and drug costs.

FTEs	0.0
Gross	\$562,200
GF/GP	\$562,200

PUBLIC HEALTH**13. Local Public Health Operations Increase**

The budget includes a 3% increase of \$1.2 million Gross and GF/GP for local public health operations distributions to share the cost of providing basic local public health services.

FTEs	0.0
Gross	\$1,161,400
GF/GP	\$1,161,400

14. Public Health and Family Health Program Federal Grant Increases

The budget includes \$19.4 million in additional federal funds to reflect increased or new grant awards. The increases include \$2.0 million for AIDS drug assistance, \$814,600 for smoking prevention, \$707,400 for family planning, \$2.7 million for abstinence programs, \$8.7 million for the WIC program, and \$2.0 million for housing and shelter.

FTEs	0.0
Gross	\$19,413,600
GF/GP	\$0

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

15. *Healthy Michigan Fund Appropriations*

The budget includes \$41.1 million in appropriations from the Healthy Michigan Fund, a net reduction of \$2.8 million from FY 1998-99. The appropriations include \$4.1 million in new or additional funding to 15 projects and reductions totaling \$6.9 million affecting nine projects that had received increases in FY1998-99, many of which were considered one-time increases. Funding increases include early childhood prevention program grants, AIDS/HIV risk pool for qualified health plans, Youth Commonwealth, Lutheran Home and Bay Women's Center. Funding reductions include Hepatitis B testing and vaccination, Safe Kids childhood injury prevention programs, MI Child outreach, and sudden infant death syndrome.

FTEs 0.0
Gross (\$2,814,800)
 GF/GP \$0

16. *Elimination of Excess Federal Authorization in Public Health and Family Health Programs*

The budget includes reductions in federal funding authorizations totaling \$12.9 million to reflect actual federal grants and funding received. Excess authorizations recommended to be eliminated include \$4.7 million in immunization local agreements, \$3.1 million in the lead abatement program, and \$1.4 million in maternal and child health EPSDT outreach.

FTEs 0.0
Gross (\$12,872,900)
 GF/GP \$0

17. *Newborn Screening Fee Increase*

The budget includes an increase in appropriations of \$947,500 Gross supported by a fee increase for the newborn screening program. The revenue will support the existing program, expanded public education, fee increases to service providers, and laboratory equipment and processing improvements. The Legislature passed Senate Bill 592 which increased the fee set in the Public Health Code. Senate Bill 592 awaits a fall Senate vote on immediate effect.

FTEs 0.0
Gross \$947,500
 GF/GP \$0

18. *Children's Waiver Home Care Program Increases*

The budget includes a \$13.3 million increase in funding to the Children's Waiver Home Care Program. Of this increase, \$9.5 million expands the program capacity from approximately 350 to 400 participants, and \$3.7 million funds wage increases, first effective January 1, 1999, for home care nurses and aides serving these children.

FTEs 0.0
Gross \$13,279,900
 GF/GP \$4,756,400

19. *Roll-up of Public Health Line Items*

The Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Blood Lead Screening appropriation line and the Newborn Screening Services appropriation line were added to the Laboratory Services line. The Disease Surveillance line was added to the Epidemiology Administration line, and the Training and Evaluation line was added to the Local Health Services line.

FTEs 0.0
Gross \$0
 GF/GP \$0

20. *Early Childhood Community Based Services Grants*

The budget includes an additional \$1.3 million Gross, \$300,000 GF/GP, for a cooperative program with the Department of Education and the Family Independence Agency to fund community-based prevention services for families with children 0 to 3 years of age.

FTEs 0.00
Gross \$1,300,000
 GF/GP \$300,000

MAJOR BUDGET CHANGES: FY 1999-2000**Budget Issue****Change from FY 1998-99****OFFICE OF SERVICES TO THE AGING****21. Senior Citizen Center Improvements**

The budget includes an additional \$1.0 million Gross and GF/GP for physical improvements to senior citizen center facilities.

FTEs	0.0
Gross	\$1,000,000
GF/GP	\$1,000,000

22. Respite Care Increase

The budget includes an increase of \$5.0 million Gross using Tobacco Settlement funds to be used exclusively for direct respite care. The funds are to be allocated in accordance with a long-term care plan being developed by a working group authorized in the FY 1998-99 Community Health budget.

FTEs	0.0
Gross	\$5,000,000
Tobacco	5,000,000
GF/GP	\$0

23. Long-Term Care Advisor

The budget includes an additional 3.0 FTEs and \$3.0 million Gross using Tobacco Settlement funds to establish a new long-term care advisor. The funds are to be allocated in accordance with a long-term care plan being developed by a working group authorized in the FY 1998-99 Community Health budget.

FTEs	3.0
Gross	\$3,000,000
Tobacco	3,000,000
GF/GP	\$0

24. Respite Care Fund Source Shift

The budget includes a shift in funding for the respite care program of \$1,500,000 based on an anticipated reduction in the escheats funds that are directed to respite care. An increase in federal funds adjusts for the shortfall.

FTEs	0.0
Gross	\$0
GF/GP	\$0

MEDICAL SERVICES**25. Senior Prescription Insurance Program**

A new Elder Prescription Insurance Coverage (EPIC) plan is established with Tobacco Settlement revenue and anticipated premium payments. The program will offer subsidized insurance for prescription medications to senior citizens with incomes up to 200% of the poverty level.

FTEs	0.0
Gross	\$45,000,000
Tobacco	\$30,000,000
Private	\$15,000,000
GF/GP	\$0

26. Rural Hospital Initiative

Appropriated for Medicaid-funded rural hospital initiatives is \$11.1 million to be distributed based on a plan developed by a work group consisting of the DCH Director and the Chairpersons of the House and Senate Appropriations Subcommittees on Community Health.

FTEs	0.0
Gross	\$11,138,300
GF/GP	\$5,000,000

27. Medicaid Dental Services Expansion

Additional funding is provided for projects to increase Medicaid dental capacity, especially in rural areas of the state and through federally qualified health centers.

FTEs	0.0
Gross	\$10,913,100
GF/GP	\$5,450,000

28. Medicaid Provider Rate Increases

A 3.1% Medicaid rate increase is provided for hospital services, and a 4% Medicaid rate increase is included for health plans (HMOs), nursing homes, physicians, dentists, and most other fee-for-service providers. The personal care services rate paid to adult foster care homes is increased by \$30 per month, and \$2.2 million is added to further increase the payment rate for home health services.

FTEs	0.0
Gross	\$124,784,900
GF/GP	\$56,024,400

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
29. Nursing Home Quality Incentive Payments Funding for continuous quality improvement payments to nursing homes totaling \$25.0 million is eliminated. A new Quality Incentive Grant program is established in the Department of Consumer and Industry Services with funding of \$10.0 million to reward nursing homes which consistently maintain health and safety standards.	FTEs	0.0
	Gross	(\$25,000,000)
	GF/GP	(\$11,222,500)
30. Personal Care Allowance Increase \$11.1 million Gross, including \$5.0 million in Tobacco Settlement revenue, is allocated for an increase in the personal care needs allowance from \$30 to \$60 per month for Medicaid patients in nursing home facilities. The allowance helps to cover the costs of incidental needs of nursing home residents that are not included in Medicaid reimbursement to the nursing homes.	FTEs	0.0
	Gross	\$11,138,400
	Tobacco	\$5,000,000
	GF/GP	\$0
31. Long-Term Care Innovations Grants One-time funding of \$22.3 million in Tobacco Settlement revenue and federal Medicaid funds is provided for long-term care innovations grants. The funds are to be allocated in accordance with a long-term care plan being developed by a working group authorized in the FY 1998-99 Community Health budget.	FTEs	0.0
	Gross	\$22,276,700
	Tobacco	\$10,000,000
	GF/GP	\$0
32. Base Expenditure Adjustments Anticipated higher costs for hospital, nursing home, physician, pharmaceutical, health plan, adult home help, and other medical services above the original appropriated level in FY 1998-99 are added to the base Medicaid funding.	FTEs	0.0
	Gross	\$128,654,300
	GF/GP	\$57,707,900
33. Inflation and Utilization A 4.0% increase for anticipated inflation, caseload, and utilization growth is added in various Medicaid program line items.	FTEs	0.0
	Gross	\$96,400,000
	GF/GP	\$43,273,900
34. Medicaid Special Financing Payments The budget includes a series of Medicaid special financing adjustments to maximize the earning of federal matching funds and reduce the amount of state funds needed for the Medicaid program. These are special Medicaid payments made in addition to the regular Medicaid reimbursement to certain providers. The state claims federal match on the special payments, and then all or most of the original payment is returned to the state through an intergovernmental transfer or similar mechanism.	FTEs	0.0
	Gross	\$26,746,800
	GF/GP	\$7,608,600
35. Financing Change - Federal Match Increase Federal funding is increased by \$133.1 million and GF/GP is decreased by the same amount to reflect an increase in the federal Medicaid matching rate (FMAP) from 52.72% to 55.11%. The FMAP rate is based on a formula related to per capita income in the state.	FTEs	0.0
	Gross	\$0
	GF/GP	(\$133,085,900)

MAJOR BUDGET CHANGES: FY 1999-2000**Budget Issue****Change from FY 1998-99****36. Roll-up of Line Items - Medical Services**

The Executive Budget proposal to consolidate the Hospital, Physician, Home Health, Pharmaceutical, Auxiliary Medical, Home Health, and Transportation line items into a new "Medical Services Non-Capitated" line was rejected. Adult Home Help and Personal Care Services are also maintained as separate line items. The Indigent Medical Program is added to the Special Adjustor Payments line item. Salaries and Wages, Contractual Services, Supplies & Materials, and Travel Equipment are rolled up into a new "Medical Services Administration" line item.

FTEs	0.0
Gross	\$0
GF/GP	\$0

ECONOMICS AND RETIREMENT: FY 1999-2000**ECONOMICS****1. Unclassified Positions**

An increase of \$16,200 is included in the budget for the Director and other unclassified positions. This recommendation represents an increase of 3.0% from the FY 1998-99 appropriation.

FTEs	0.0
Gross	\$16,200
GF/GP	\$16,200

2. Salaries and Wages

An additional \$11.4 million Gross and \$5.3 million GF/GP is included in the budget for classified employees' salaries and wages.

FTEs	0.0
Gross	\$11,361,500
GF/GP	\$5,331,600

3. Insurance

An additional \$6.9 million Gross and \$3.3 million GF/GP is included in the budget for state employees' insurance costs.

FTEs	0.0
Gross	\$6,906,000
GF/GP	\$3,251,800

4. Other

An additional \$1.2 million Gross and \$605,300 GF/GP is included in the budget for inflationary adjustments on items such as motor transport, medical services, food, fuel and utilities, building occupancy, and postage.

FTEs	0.0
Gross	\$1,239,900
GF/GP	\$605,300

5. Worker's Compensation

The budget includes a \$1.3 million reduction for worker's compensation costs.

FTEs	0.0
Gross	(\$1,298,100)
GF/GP	(\$1,298,100)

RETIREMENT ISSUES**6. Defined Benefits**

An additional \$3.0 million Gross and \$1.3 million GF/GP is included in the budget for state employees' defined benefits retirement costs.

FTEs	0.0
Gross	\$3,047,200
GF/GP	\$1,322,600

7. Defined Contributions

An additional \$635,000 Gross and \$306,200 GF/GP is included in the budget for state employees' defined contributions retirement costs.

FTEs	0.0
Gross	\$635,000
GF/GP	\$306,200

MAJOR BOILERPLATE CHANGES: FY 1999-2000**GENERAL****1. *Equal Opportunity for Contractors***

Sec. 216 (3) requires the Director to take reasonable steps to ensure equal opportunity for those who compete and perform contracts to provide services or supplies, or both.

2. *Report on Medicaid Managed Mental Health Care Program*

Sec. 218 (2) requires the Department to report on the amount of funding paid to CMHSPs to support the Medicaid managed mental health care program in each month.

3. *External Review of the Michigan Public Health Institute*

Sec. 225 requires the Department to make available up to \$100,000 to the State Budget Director for contracting for an external review of the Michigan Public Health Institute.

4. *Audits of the Michigan Public Health Institute*

Sec. 226 requires that all contracts with the Michigan Public Health Institute that are funded with Part 1 appropriations submit to financial and performance audits by the state's Auditor General.

5. *Fees for Publications , Videos, and Related Materials*

Sec. 236 modifies current-year language by allowing the Department of Community Health, rather than the Office of Services to the Aging, to establish and collect fees for publications, videos and related materials, conferences, and workshops.

MENTAL HEALTH**6. *Contracts with CMHSPs***

Sec. 402 (1) modifies current-year language by requiring that a contract between each CMHSP and the Department is not valid unless the total dollar obligations of all contracts entered into does not exceed the funds appropriated in part 1, and Sec. 402 (2)(3) requires the Department to immediately report on any new contracts with CMHSPs that affect rates and expenditures.

7. *Multi-cultural Services*

Sec. 406 requires the Department to ensure that contracts with CMHSPs continue contracts with Multi-cultural service providers, and specifies that the FY 1999-2000 increase in funding be allocated in equal amounts to ACCESS and the Arab-American and Chaldean council.

8. *Direct Care Workers*

Sec. 409 provides that it is the intent of the Legislature that the FY 1998-1999 wage increase to direct care workers continue to be paid in FY 1999-2000.

9. *Managed Care Mental Health Services Contracts*

Sec. 424 authorizes the Department to develop a plan that conforms to the federal Health Care Finance Administration for competitive procurement of contracts to manage Medicaid mental health, developmental disabilities, and substance abuse services. The Department may implement a competitive bid pilot program that complies with the approved plan. However, the Department is prohibited from implementing a statewide competitive bid process for FY 1999-2000.

10. *Semiannual Reports by CMHSPs*

Sec. 604 requires semiannual reports on the following: the number of days of care purchased from state hospitals and centers, the number of days of care purchased from private hospitals in lieu of purchasing days of care from state hospitals and centers, the number and type of alternative placements to state hospitals and centers other than private hospitals, and waiting lists for placements in state hospitals and centers.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

PUBLIC HEALTH

11. *Local Public Health Department Dissolution Penalty*

Sec. 905 modifies current-year language to reduce local public health operations funding to a county that ceases participation in a district health department arrangement by up to 3%.

12. *Local Public Health Operations Funding for Food and Water Protection*

Sec. 909 modifies current-year language and authorizes that local public health department operations allocations for food protection will be provided under contract with the Department of Agriculture, and allocations for public water supply, private groundwater supply, and on-site sewage management will be provided under contract with the Department of Environmental Quality.

13. *Prostate Cancer Prevention Demonstration Project Allocations*

Sec. 1004 modifies current-year language to allow for the allocation of funds to the Hurley and Harper hospitals' prostate cancer demonstration projects.

14. *Guidelines for the Use of Federal Abstinence Funds*

Sec. 1106a establishes specific items of instruction as requirements for programs expending federal abstinence education funds; gives priority in allocation of funds to programs that do not provide contraceptives to minors and that strive to include parental involvement. Qualifying programs may receive funds directly from the Department.

15. *Newborn Screening Fee Increase*

Sec. 1119 requires that the availability of \$909,300 in additional appropriations for newborn screening and related laboratory services is contingent upon enactment of an amendment to the Public Health Code of a fee increase, effective prior to October 1, 1999.

16. *State Infant Mortality Review Network*

Sec. 1121 allocates \$450,000 as one-time funding to Michigan State University, College of Human Medicine, to establish the state infant mortality review network.

17. *Healthy Michigan Fund Allocations Boilerplate*

Sec. 702 allocates \$100,000 for an Asian women health project as one-time funding and as a work project.

Sec. 807 modifies current-year language to provide \$100,000 for the final year of a project to vaccinate young children in Calhoun County with Hepatitis A vaccine.

Sec. 850 allocates \$150,000 for the behavioral risk factor survey project.

Sec. 1014 appropriates \$500,000 as a work project to the Bay County Women's Center for domestic violence prevention services programs.

Sec. 1015 appropriates \$300,000 in one-time funding for an interactive health education center.

Sec. 1124 allocates \$500,000 each to the Youth Commonwealth (Grand Rapids) and the Lutheran Home (Bay City).

Sec. 1017 directs \$200,000 in violence prevention funds to be available through the Office of Drug Control Policy for transfer to the Department of Education for the Office of Safe Schools. Sec. 1252 directs the Office of Drug Control Policy to transfer the funds.

OFFICE OF SERVICES TO THE AGING

18. *Respite Project Funding*

Sec. 1409 allocates \$100,000 from unallocated escheat revenue to fund the Human Development Commission Senior Respite Project.

19. *Direct Respite Care Funding*

Sec. 1411 specifies that \$5,000,000 in additional funds for direct respite care is to be allocated in accordance with the long-term care plan being developed.

MAJOR BOILERPLATE CHANGES: FY 1999-2000**20. Long-Term Care Advisor**

Sec. 1412 specifies that \$3,000,000 in funding for a new long-term care advisor office is to be allocated in accordance with the long-term care plan being developed.

MEDICAL SERVICES**21. Pharmacy Dispensing Fee and Copayments**

Sec. 1603 maintains the pharmacy dispensing fee at \$3.72 and recipient copayments at \$1.00 for prescription drugs. The section also requires a study of the savings to providers from implementation of an automated pharmaceutical claims adjudication system and allows the Department to recommend an adjustment to the pharmacy dispensing fee based on the study.

22. Preauthorization for Single-Source Pharmaceutical Products

Sec. 1612 allows preauthorization for single source pharmaceutical products under certain conditions. The section also authorizes drug utilization review and disease management systems, and continued development and implementation of the automated pharmacy claims adjudication system.

23. Mail Order Pharmacy

Sec. 1613 authorizes implementation of a mail order pharmacy program if the state law prohibiting Michigan firms from operating a mail order pharmacy is repealed.

24. Nursing Home Wage Pass-Through

Sec. 1618 provides for a \$0.75 per employee hour nursing home wage pass-through for new or enhanced wages and employee benefits.

25. Long-Term Care Plan and Working Group

Sec. 1657 authorizes continuation of the Long-Term Care Working Group established in FY 1998-99 and prohibits implementation of the long-term care plan until at least 24 days after the plan is developed (and while at least one house of the Legislature is in session).

26. Reimbursement for Emergency Room Services

Sec. 1690 requires reimbursement for certain emergency room services without prior authorization by a health plan.

27. Uniform Medicaid Billing Form and Prompt Payment Standards

Sec. 1691 expresses intent that a uniform Medicaid billing form be developed and sets time frames for payment by health plans to providers.

28. EPSDT and MSS/ISS Standards

Sec. 1692 requires uniform service definitions and standards for Early and Periodic Screening, Diagnosis and Treatment (EPSDT) and Maternal/Infant Support services (MSS/ISS).

29. EPSDT and MSS/ISS Outreach Funds

Sec. 1693 requires EPSDT and MSS/ISS outreach funds to be allocated to health plans for contracting with local health departments.

30. Dental Claims Procedures

Sec. 1694 requires the Department to implement revised dental claims procedures including a standard scannable claim form and provides for submission of claims electronically.

31. Elder Prescription Insurance Program

Sec. 1695 expresses legislative intent to establish an Elder Prescription Insurance Program (EPIC) for persons aged 65 or older with income up to 200% of the poverty level. The section specifies that EPIC cannot be implemented until an automated pharmacy claims adjudication system is implemented and the existing senior prescription tax credit program is repealed.

MAJOR BOILERPLATE CHANGES: FY 1999-2000**32. Medicaid Rural Health Initiatives**

Sec. 1696 requires the Department to convene a work group to develop a plan for allocating the funds appropriated for rural health initiatives.

33. Hospital Payment Increase

Sec. 1697 specifies that the funds appropriated for hospital services increases are to be distributed as an outpatient fee adjustor payment and creates a rural hospital pool and an urban hospital pool for the distribution of the funds.

34. Medicaid Dental Capacity Expansion

Sec. 1698 directs funds for auxiliary medical services to be allocated for a 4.0% increase in dental fees. The section also authorizes an additional \$9.9 million for projects to expand the Medicaid dental services capacity in the state, and \$1.0 million for dental capacity expansion by federally qualified health centers.

35. Physician Fee Increase

Sec. 1699 requires physician fee increases to be distributed to primary care providers serving a disproportionate share of Medicaid patients.

36. Long-Term Care Innovation Grants

Sec. 1700 specifies that funding for long-term care innovation grants is to be allocated as one-time funding in accordance with the long-term care plan being developed.

VETOES: FY 1999-2000**Sec. 1124: Lutheran Home in Bay City**

The Governor vetoed part of this section which allocates \$500,000 of housing and support services funds for the Lutheran Home in Bay City. See Item #15 under Major Budget Issues and Item #17 under Major Boilerplate Issues.

FTEs	0.0
Gross	\$500,000
GF/GP	\$0

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99**1. Senate Bill No. 68**

Senate Bill No. 68 includes a supplemental appropriation of \$61.3 million for Medicaid hospital, long-term care, and pharmaceutical services expenditures which are anticipated to be above the current-year appropriated level.

FTEs	0.0
Gross	\$61,336,700
GF/GP	\$29,000,000

2. House Bill No. 4075

House Bill No. 4075 includes a supplemental appropriation of \$44.1 million for additional Medicaid base adjustments in various line items where spending is expected to exceed the appropriated level. This includes \$2.0 million authorized to develop and implement an automated pharmacy claims adjudication system.

FTEs	0.0
Gross	\$46,100,000
GF/GP	\$21,200,500

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99**3. House Bill No. 4299**

House Bill No. 4299 authorizes \$104.2 million as a supplemental appropriation for community mental health services related to the implementation of Medicaid mental health managed care and increased federal Medicaid earnings. Also included is \$20.0 million for additional Medicaid special adjustor payments.

FTEs	0.0
Gross	\$124,212,800
GF/GP	\$9,440,600

APPROPRIATIONS FOR FY 2000-2001**House Bill No. 4299**

House Bill No. 4299 appropriates over \$1.2 billion for Medicaid Hospital, Physician, and Health Plan Services which includes a 4.0% increase in payment rates to medical providers in these areas.

FTEs	0.0
Gross	\$1,243,732,800
GF/GP	\$967,740,800

CORRECTIONS

PUBLIC ACT 92 OF 1999

Analyst: Marilyn Peterson

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	17,387.9	19,190.3	1,802.4	10.4
GROSS	\$1,442,097,700	1,567,641,800	\$125,544,100	8.7
IDG/IDT	6,599,300	6,615,600	16,300	0.2
ADJUSTED GROSS	\$1,435,498,400	1,561,026,200	\$125,527,800	8.7
FEDERAL	19,991,500	25,686,400	5,694,900	28.5
LOCAL	401,100	412,800	11,700	2.9
PRIVATE	0	0	0	0.0
OTHER	46,548,700	48,347,900	1,799,200	3.9
GF/GP	\$1,368,557,100	\$1,486,579,100	\$118,022,000	8.6

HB 4300

Referred to Appropriations
2/23/99

Passed House
3/23/99

Passed Senate
5/27/99

Concur with Senate
Amendments
6/2/99

Concur with House
Amendments
6/8/99

Effective
6/30/99

OVERVIEW - CORRECTIONS

The Michigan Department of Corrections operates under the codification of correctional statutes achieved by 1953 PA 232. As articulated in a departmental policy directive, the Department's mission is to enhance public safety by recommending sanctions to the courts and, as directed by the courts, carrying out the sentences given to convicted adult felons in a humane, cost-efficient manner which is consistent with sound correctional principles and constitutional standards.

The basic elements of the state correctional system are probation, prison, and parole. As of June 30, 1998, the Department was responsible for the supervision of 112,159 felony offenders; 52,448 probationers; 46,253 prisoners in prisons, camps, and community placement; and 13,458 parolees.

To manage these offenders, and to implement programs aimed at minimizing recidivism and commitments to prison, the FY 1999-2000 budget provides the Department with a gross appropriation of about \$1.57 billion, an increase of 8.7 percent over the prior year. The GF/GP appropriation of \$1.49 billion represents an increase of 8.6 percent over the prior year.

The increases largely reflect costs associated with rising numbers of prisoners, including partial-year costs of \$80.4 million associated with the opening of 5,465 beds commencing in late FY 1998-99 and continuing on through FY 1999-2000. (Another approved construction project, that of a 1,500-bed prison in Ionia, is scheduled to be completed in August 2001.) New bed openings would be partially offset by \$6.0 million saved through closure of an estimated 404 community placement beds, the result of declining utilization of "halfway houses."

Also helping to offset cost increases is the virtual elimination of the leased bed line item (\$35.8 million Gross, \$30.8 million GF/GP), reflecting plans to phase out beds leased in out-of-state facilities as new beds in Michigan facilities are opened. A minimal line item of \$100 is retained for leased beds, thereby enabling bed leasing to be funded through legislative transfers, should the need arise.

The FY 1999-2000 budget act also addresses needs for additional beds through changes to the FY 1998-99 budget. A line item formerly providing funding only for leased beds was renamed "leased beds and alternatives to leased beds," with associated boilerplate language providing for funding to be carried forward into subsequent fiscal years. Additional beds funded under the \$30.8 million work project account include 432 beds being temporarily developed in day rooms of existing facilities, and an additional 607 beds through development of a new prison in St. Louis as a double-bunked Level IV facility, rather than a single-bunked Level V facility. (The FY 1999-2000 portion of the act follows the Executive recommendation, funding St. Louis as a 672-bed Level V facility.)

Still to be determined is the combined impact of truth-in-sentencing and sentencing guidelines on prison bed space needs in FY 1999-2000 and beyond. Truth-in-sentencing requires certain offenders to serve their entire minimum sentences in prisons or camps; truth-in-sentencing applies to certain serious offenses committed on or after December 15, 1998, and to all other felonies committed on or after December 15, 2000. Newly-enacted sentencing guidelines establish a recommended range for an offender's minimum sentence, and apply to offenses committed on or after January 1, 1999. A study is underway that will identify sentencing patterns occurring during the initial period of sentencing guidelines implementation.

As shown in the Figures following this Overview: 1) over the past 20 years, corrections expenditures consumed an ever-growing share of the state's General Fund, although the proportion has held steady in the last few years; 2) the main cause of that budgetary growth — a burgeoning prison population; 3) the Department's January 1999 prison population projection — plotted against current and approved

Corrections

capacity — suggests that the state may again be facing a shortage of prison beds sometime in 2002. Still unknown is the extent to which sentencing reforms and other efforts — or perhaps factors as yet unforeseen — will affect state and local correctional needs.

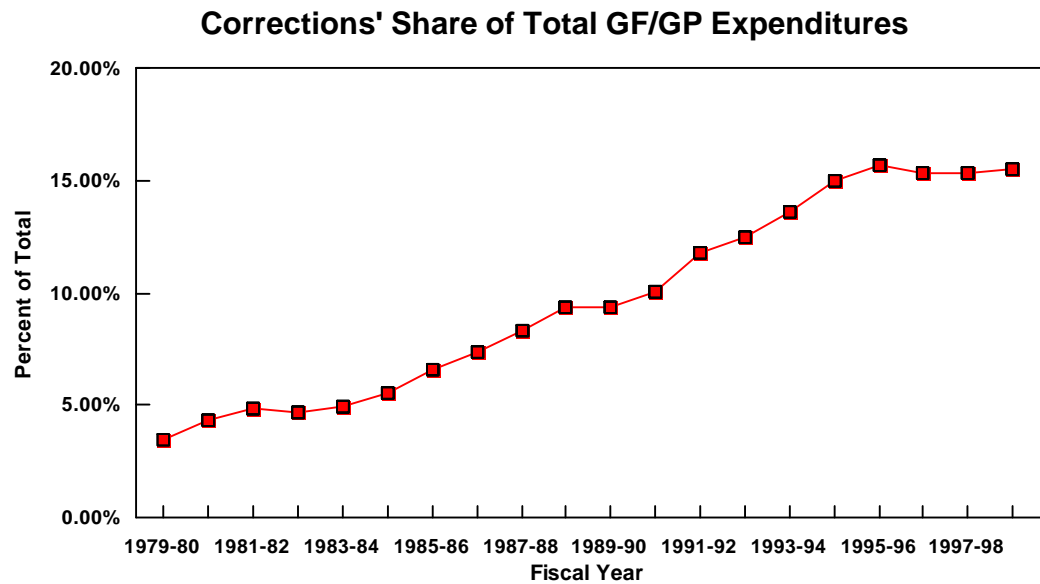


Figure 1

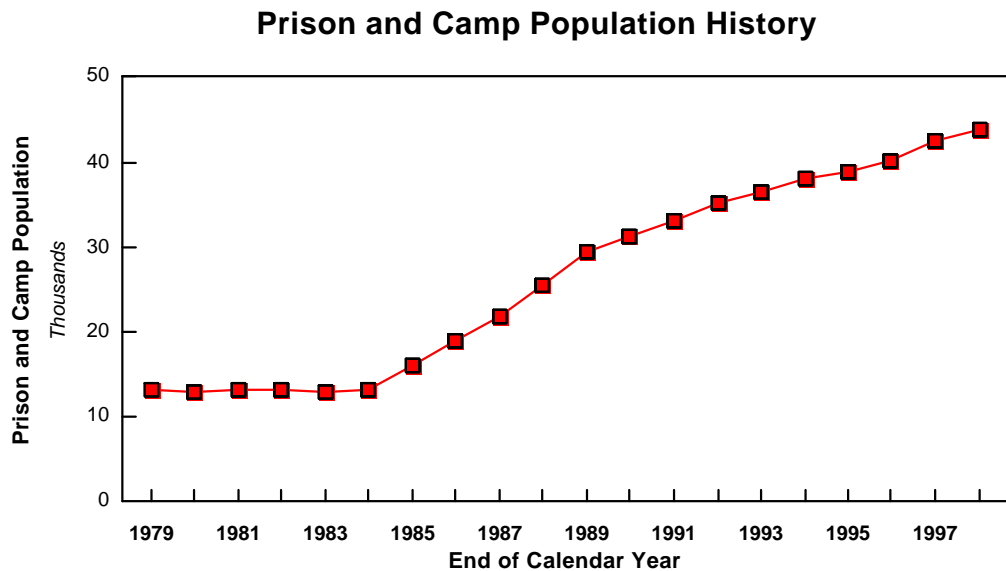
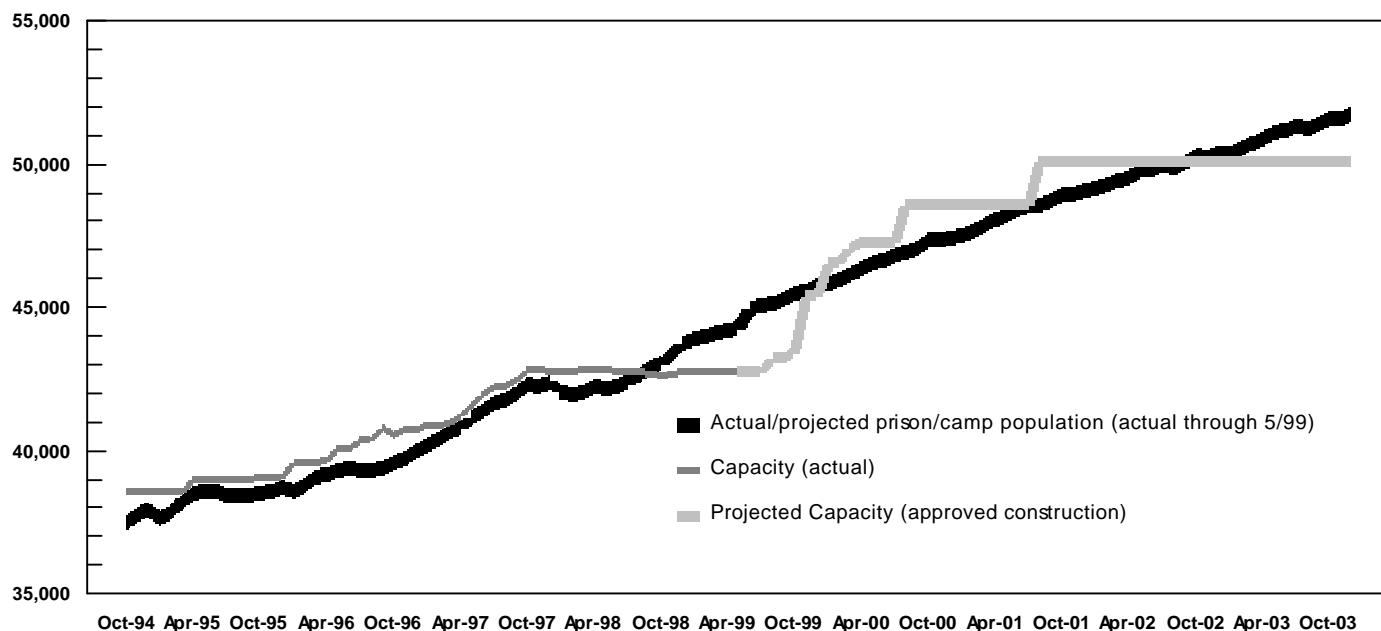


Figure 2

Actual/Projected Prison and Camp Population with Current and Approved Capacity



Sources: MDOC Data Fact Sheets, January 1999 Prison Population Projection, FY 2000 Executive Budget document

Figure 3

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

BED SPACE EXPANSIONS

1. St. Louis Maximum Correctional Facility

St. Louis Maximum Correctional Facility was approved for construction under 1996 PA 321 (a capital outlay budget act), and is expected to open in November 1999. The FY 1999-2000 budget act funds the facility as a 672-bed Level V facility, although current plans are to develop the facility as a 1,279-bed Level IV facility. Additional funds needed as a result of this increase in capacity are provided through a work project account set up with FY 1998-99 funds formerly allocated only for leased beds. The FY 1999-2000 budget provides \$21.8 million and 394.1 FTEs in connection with this facility, which includes personnel and operational costs, educational programming, health care, and administrative costs.

FTEs	394.1
Gross	\$21,788,800
GF/GP	\$21,788,800

MAJOR BUDGET CHANGES: FY 1999-2000**Budget Issue****Change from FY 1998-99****2. St. Louis Secure Level I: Pine River Correctional Facility**

Approved for construction under 1998 PA 273 (a 1998 capital outlay budget act), Pine River Correctional Facility will be a 960-bed secure Level I (minimum security) facility. It is expected to open in January 2000. The FY 1999-2000 budget provides \$14.3 million and 256.6 FTEs for this facility, which includes personnel and operational costs, educational programming, and health care.

FTEs	256.6
Gross	\$14,321,400
GF/GP	\$14,321,400

3. Macomb Correctional Facility - Level IV Housing Unit

Level IV (close security) housing at Macomb Correctional Facility was approved for construction under 1998 PA 273 (a 1998 capital outlay budget act). The double-bunked, 240-bed unit is expected to open March 2000. The FY 1999-2000 budget provides \$2.1 million and 49.0 FTEs for this unit, which includes personnel and operational costs, educational programming, and health care.

FTEs	49.0
Gross	\$2,120,800
GF/GP	\$2,120,800

4. Baraga Maximum - Level I Housing Unit

Level I (minimum security) housing at Baraga Maximum Correctional Facility was approved for construction under 1998 PA 273 (a 1998 capital outlay budget act). The 240-bed, double-bunked unit will be separated from the Level V housing already on site, and will house Level I prisoners who will provide facility maintenance and public work crews. The unit is scheduled to open January 2000. The FY 1999-2000 budget provides \$2.5 million and 43.8 FTEs for this unit, which includes personnel and operational costs, educational programming, and health care.

FTEs	43.8
Gross	\$2,516,400
GF/GP	\$2,516,400

5. Cooper Street Correctional Facility - Level I Housing Units

Additional Secure Level I housing at Jackson's Cooper Street Correctional Facility was approved under 1998 PA 273 (a 1998 capital outlay budget act). The two 240-bed, double-bunked units are scheduled to open November 1999. The FY 1999-2000 budget provides \$5.4 million and 80.4 FTEs for the units, which includes personnel and operational costs, educational programming, and health care.

FTEs	80.4
Gross	\$5,413,700
GF/GP	\$5,413,700

6. Florence Crane Women's Facility - Level II Housing Unit

Construction of additional housing at Crane, in Coldwater, was approved under 1998 PA 273 (a 1998 capital outlay budget act). The double-bunked, 240-bed Level II housing unit is expected to open in November 1999. The FY 1999-2000 budget provides \$3.0 million and 43.8 FTEs for the unit, which includes personnel and operational costs, educational programming, and health care.

FTEs	43.8
Gross	\$3,013,600
GF/GP	\$3,013,600

7. Saginaw Correctional Facility - Level IV Housing Unit

Construction of additional housing at Saginaw Correctional Facility was approved under 1998 PA 273 (a 1998 capital outlay budget act). The double-bunked, 240-bed Level IV housing unit is scheduled to open April 2000. The FY 1999-2000 budget provides 48.2 FTEs and \$1.8 million for this unit, which includes personnel and operational costs, educational programming, and health care.

FTEs	48.2
Gross	\$1,815,900
GF/GP	\$1,815,900

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

8. Thumb Correctional Facility - Level IV Housing Unit

Construction of additional housing at Thumb Correctional Facility was approved under 1998 PA 273 (a 1998 capital outlay budget act). The double-bunked, 240-bed Level IV housing unit is scheduled to open March 2000. The FY 1999-2000 budget provides 49.5 FTEs and \$2.2 million for this unit, which includes personnel and operational costs, educational programming, and health care.

FTEs	49.5
Gross	\$2,155,600
GF/GP	\$2,155,600

9. Ojibway Correctional Facility

The expansion and conversion of Camp Ojibway into a secure Level I facility was approved by 1998 PA 273 (a 1998 capital outlay budget act). In addition to the staffing and security changes necessitated by a conversion to a secure facility, construction of two 240-bed, open-bay Level I housing units is being undertaken. The new units are expected to open in August 2000. The FY 1999-2000 budget provides 191.4 FTEs and \$3.5 million for this facility, which includes personnel and operational costs, educational programming, and health care.

FTEs	191.4
Gross	\$3,542,000
GF/GP	\$3,542,000

10. Pugsley Correctional Facility

The expansion and conversion of Camp Pugsley into a secure Level I facility was approved by 1998 PA 273 (a 1998 capital outlay budget act). The camp will be expanded by 800 beds, as well as undergo the staffing and security changes necessary to convert it to a secure facility. Construction is expected to be completed in August 2000. The FY 1999-2000 budget provides 206.6 FTEs and \$4.0 million for this facility, which includes personnel and operational costs, educational programming, and health care.

FTEs	206.6
Gross	\$4,016,200
GF/GP	\$4,016,200

11. Expansion at Camp Branch

Renovations at the women's camp, Camp Branch, are to expand its capacity by 120 beds during FY 1998-99, with the new beds becoming operational in October 1999. The FY 1999-2000 budget provides 32.4 FTEs and \$2.0 million for the first-year operating costs of the new beds.

FTEs	32.4
Gross	\$1,953,300
GF/GP	\$1,953,300

12. Jackson Prison Reorganization

The hallmark feature of the Hadix v. Johnson consent decree is a requirement to split the former State Prison of Southern Michigan in Jackson into separate, smaller prisons. Renovations at former cell blocks 6, 11, and 12 are nearing completion, with 753 beds projected to reopen in January 2000. The 265 Level IV beds developed from the upper three tiers of cell block 6 will be added to Southern Michigan Correctional Facility. The FY 1999-2000 budget provides 134.2 FTEs and \$6.7 million for these beds. An additional 488 Level V beds developed from cell blocks 11 and 12 will be added to Jackson Maximum Correctional Facility. The FY 1999-2000 budget provides 201.7 FTEs and \$11.0 million for the Jackson Maximum expansion.

FTEs	335.9
Gross	\$17,720,000
GF/GP	\$17,720,000

MAJOR BUDGET CHANGES: FY 1999-2000**Budget Issue****Change from FY 1998-99****13. Youth Correctional Facility**

The 480-bed Michigan Youth Correctional Facility, owned and operated by Wackenhut Corporation, is scheduled to open July 1999. Partial-year costs associated with leasing and operational contracts for this facility were built into the budget for FY 1998-99. The FY 1999-2000 budget provides an additional \$10.2 million to provide for the full-year costs of using the facility, which is expected to be fully occupied within a few months of opening. Except for monitoring costs, which have already been funded under the FY 1998-99 budget, costs associated with the Youth Correctional Facility will be fully met with federal funds provided under the Violent Offender Incarceration and Truth in Sentencing (VOI/TIS) grant program.

FTEs	0.0
Gross	\$10,212,900
GF/GP	\$0

14. Leased Beds

With the virtual elimination of the leased bed line item, the budget reflects an assumption that beds leased in out-of-state facilities will be phased out during FY 1999-2000. A token appropriation of \$100 is retained, which would enable a continued need for leased beds to be funded through legislative transfers. The leased bed line item previously has been supported with \$5.0 million in federal VOI/TIS funds.

FTEs	0.0
Gross	(\$35,807,400)
GF/GP	(\$30,807,400)

15. Employee Training

The budget provides an increase of about \$7.0 million to train new corrections officers. Total cost of the new employee schools planned for FY 1999-2000 would be about \$15.9 million. The funding would cover 16-week training and uniform costs for about 500 turnover positions, plus about 465 positions associated with new bed openings. Training costs are \$11,645 per officer.

FTEs	0.0
Gross	\$7,070,600
GF/GP	\$7,070,600

PRISON OPERATIONS**16. Cain v. MDOC - Prisoner Clothing Requirement**

An April 1998 order in Cain v. MDOC specified requirements for state-issued clothing that exceeded those previously in place. The budget provides an additional \$4.2 million to fund the additional clothing costs anticipated under Cain.

FTEs	0.0
Gross	\$4,208,400
GF/GP	\$4,208,400

17. 1998 PA 376 - Prisoner Uniform Requirement

Under 1998 PA 376, prisoners in Levels IV, V, and VI will have to wear identifying uniforms provided by the Department. The budget provides \$666,300 for the cost of providing striped uniforms in FY 1999-2000.

FTEs	0.0
Gross	\$666,300
GF/GP	\$666,300

18. Project RESTART

In an effort to stem increasing needs for expensive Level V administrative segregation beds, the Department has implemented a pilot "boot camp" type program at Oaks Correctional Facility in Eastlake. Although the Department anticipates that eventually such programming will reduce costs by promoting better prisoner behavior, the intensive nature of the program requires additional staffing. The budget provides an additional 17.0 FTEs and \$753,200 for this project.

FTEs	17.0
Gross	\$753,200
GF/GP	\$753,200

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

19. Project CHANGE

A pilot program in cognitive restructuring has been underway at the Michigan Reformatory in Ionia, where offenders with a high incidence of misconduct have been able to volunteer for a program that teaches them to think differently, behave differently, and ultimately qualify for lower-security placement. Early reports have been encouraging enough for the Executive to recommend that the program no longer be operated on a purely voluntary basis. Like Project RESTART, the intensive nature of the program requires additional staffing. To ensure adequate staffing for the program, the budget provides an additional 14.7 FTEs and \$703,200.

FTEs	14.7
Gross	\$703,200
GF/GP	\$703,200

20. Mental Health Care

The budget provides an increase of \$1,031,200 for mental health services, which are provided by the Department of Community Health. The Executive originally recommended a \$2.1 million increase that would have funded an additional 80-bed residential treatment unit (\$1,025,000), an additional outpatient treatment team (\$605,000), and increased costs of psychotropic medications (\$443,200). One of the federal consent decrees governing mental health care, USA v. Michigan, was terminated on February 3, 1999. The legislature reduced the Executive's proposal by \$1,042,000, which was the amount necessary to fund an increase in per diem payments to probation residential centers (see below).

FTEs	0.0
Gross	\$1,031,200
GF/GP	\$1,031,200

21. HIV/AIDS Pharmaceuticals

New drug therapies to treat HIV and AIDS have increased the costs of treating the roughly 550 HIV-positive and 200 active AIDS cases within the prison system. The Department reports that the number of prisoners with active AIDS has dropped almost 20 percent with the drug treatment now in use. The budget provides additional funding to meet increased costs due to the combined effect of new, more expensive treatments and increasing numbers of prisoners needing those treatments.

FTEs	0.0
Gross	\$480,700
GF/GP	\$480,700

SUBSTANCE ABUSE TREATMENT AND TESTING

22. Employee Drug Testing

As part of the random drug testing to be required of certain state employees, the Department estimates that it will be testing approximately 5% of its employees each month, for a total of about 11,100 tests per year. Most of the affected staff would be custody officers whose positions would have to be covered during absences for off-site testing, but data to develop estimates on any additional overtime costs was lacking. The Executive therefore recommended an increase only for the estimated costs of the tests themselves, and this is what was enacted in the budget.

FTEs	0.0
Gross	\$525,000
GF/GP	\$525,000

MAJOR BUDGET CHANGES: FY 1999-2000**Budget Issue****Change from FY 1998-99****23. Residential Treatment - Per Diem Increase**

The Department contracts for residential substance abuse treatment at facilities across the state under two-year contracts specifying per diem rates that vary according to the contract. These rates, which generally range from around \$30 per day to around \$65 per day, are reported to have increased an average of about \$2 per day over the previous two-year contract period. The budget provides increased funding to accommodate this need.

FTEs	0.0
Gross	\$351,400
GF/GP	\$351,400

24. Expiration of Federal "Sweat Patch" Grant

The Executive recommended an increase to the Substance Abuse Administration and Testing line item to accommodate the combined effects of increasing prisoner population and the loss of a \$587,000 federal grant for a pilot program to implement the use of "sweat patch" drug testing (that is, the use of adhesive patches that are worn to continuously monitor for drug use). The Executive recommended increasing the line item and GF/GP support so that the current level of testing and treatment may be maintained. The budget echoes the Executive recommendation.

FTEs	0.0
Gross	\$190,000
GF/GP	\$777,000

ALTERNATIVES TO PRISON INCARCERATION**25. Closing of Six Corrections Centers**

The FY 1999-2000 budget assumes the closure of six corrections centers ("halfway houses"), with a resulting loss of an estimated 404 community placement beds. Two of the centers, in Jackson and Monroe, closed in June 1999, and the other four, in Battle Creek, Port Huron, Flint, and Detroit, are to be closed by August 21, 1999. Declining utilization and the anticipated impact of truth-in-sentencing are factors behind the closures. (Truth-in-sentencing requires that minimum sentences be served in full and in a prison or camp. Truth-in-sentencing applies to certain serious felonies committed on or after December 15, 1998 and to all other felonies committed on or after December 15, 2000.)

FTEs	(65.0)
Gross	(\$6,000,000)
GF/GP	(\$6,000,000)

26. Community Corrections Probation Residential Centers

The probation residential center line item funds grants for residential and support services to offenders who normally would be sentenced to prison or given a long-term jail sentence. It includes funding for the probation detention center in Wayne County, which serves as an alternative to sending probation violators to prison and also houses a boot camp aftercare program. The budget funds a \$3 (from \$40 to \$43) increase in the maximum allowable per diem payments to probation residential centers.

FTEs	0.0
Gross	\$1,042,000
GF/GP	\$1,042,000

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

27. Community Corrections Comprehensive Plans and Services

The Comprehensive Plans and Services line item supports development and implementation of local comprehensive corrections plans under the Community Corrections Act, 1988 PA 511. These plans form the foundation for local efforts to maximize the use of community-based sanctions and services for targeted offenders, so that offenders who otherwise would be sent to prison can be dealt with locally. Based on an expectation that an additional six counties will be participating in PA 511, the Executive proposed a \$553,000 increase to accommodate their efforts. The legislature increased the funding by an additional \$1,000,000, which was obtained through an increase in federal funds supporting Jackson Maximum, thereby freeing additional GF/GP.

FTEs 0.0
Gross \$1,553,000
 GF/GP \$1,553,000

28. Regional Jail Program

The Executive proposed to eliminate the appropriation and associated boilerplate language for the Regional Jail Program, which was established and funded at \$2.0 million in FY 1998-99. The Regional Jail Program offers funding for multicounty construction or remodeling projects that directly or indirectly increase regional capacity to house offenders who otherwise would be occupying prison beds. The enacted budget preserves the line item at a minimal \$100.

FTEs 0.0
Gross (\$1,999,900)
 GF/GP (\$1,999,900)

MISCELLANEOUS ADMINISTRATIVE ADJUSTMENTS

29. New Training Academy

Almost all new employee training for the Department is provided at the DeMarse Training Academy, which operates in space at the former School for the Blind in Lansing. At the time the budget was developed, an agreement between the Department of Corrections and the Department of Education called for Corrections to vacate the space in 1999. Discussions have been underway on whether the training academy will have to move as previously planned. However, the budget reflects the Executive Recommendation for an increase to accommodate earlier estimates of operating cost increases. Actual operating costs would depend on the terms under which the training academy either remains at the old School for the Blind or relocates to new quarters.

FTEs 0.0
Gross \$1,181,000
 GF/GP \$1,181,000

30. Leap Year Adjustments

The budget reflects an Executive-recommended, one-time funding increase to cover estimated costs associated with funding the Department for the extra day that occurs during FY 1999-2000. The proposed adjustment is spread across a variety of institutional and central office line items.

FTEs 0.0
Gross \$3,741,300
 GF/GP \$3,741,300

Corrections

ECONOMICS: FY 1999-2000

Economics

The budget incorporates economic increases of \$53,803,100 Gross, \$52,617,300 GF/GP, representing economic increases for:

FTEs	0.0
Gross	\$53,839,100
GF/GP	\$52,617,300

Classified salaries/wages	\$25,336,200 Gross, \$24,766,100 GF/GP
Unclassified salaries/wages	\$37,600 Gross and GF/GP
Insurance	\$17,187,300 Gross, \$16,765,700 GF/GP
Retirement	\$8,270,800 Gross, \$8,070,400 GF/GP
Motor transport	\$180,600 Gross, \$169,500 GF/GP
Medical services	\$628,900 Gross and GF/GP
Food	\$590,700 Gross, \$579,400 GF/GP
Workers' compensation	\$850,800 Gross and GF/GP
Fuel and utilities	\$713,600 Gross, \$706,300 GF/GP
Building occupancy	\$38,900 Gross and GF/GP
Postage	\$3,700 gross and GF/GP

MAJOR BOILERPLATE CHANGES: FY 1999-2000

1. Universal Precautions

Sec. 222. The act requires the Department to provide annual training in universal precautions for airborne and bloodborne pathogens for all field operations employees who conduct instant drug tests.

2. Prison Population Projections

Sec. 303. The act changes the deadline for issuance of prison population projections from December 1 to February 1.

3. Field Caseload Audit

Sec. 503. The act requires the Department to conduct a statewide caseload audit of field agents (that is, parole and probation agents). The audit must address public protection issues and assess the ability of field agents to complete their professional duties. Audit results have to be submitted to the House and Senate Appropriations subcommittees on corrections and the House and Senate fiscal agencies by September 30, 2000.

4. County Jail Reimbursement Program

Sec. 808. The county jail reimbursement program provides counties with per diem payments for housing certain offenders. Revised language would apply for felons convicted of offenses committed on or after January 1, 1999 (the effective date of new sentencing guidelines); reimbursement would be for third-offense drunk drivers, with other criteria to be determined by the Department, the Michigan Association of Counties, and the Michigan Sheriffs' Association. These criteria would be forwarded to the House and Senate Appropriations Subcommittees on Corrections for review and approval.

5. Prisoner Lawsuits

Sec. 1117. By September 30, 2000, the Department must report on lawsuits brought by prisoners against departmental employees. The report has to include information on the numbers of cases found to meritorious, and on the numbers of meritorious cases involving male versus female employees.

6. Projects RESTART, CHANGE

Sec. 1118. The Department must contract for or perform its own evaluation of Projects RESTART and CHANGE, and report on this study by March 1, 2000.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

7. Regional Jail Program.

In conjunction with the virtual elimination of the regional jail line item (see above), the act eliminates language outlining the regional jail program.

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

Leased Beds

The budget act for FY1999-2000 includes sections applying to FY 1998-99. Under these portions of the act, the leased bed line item is renamed "leased beds and alternatives to leased beds." Associated boilerplate language is added that allows the \$30.8 million in GF/GP funding to be carried forward as a work project account. This would provide continued funding for leased beds, plus 432 beds being temporarily developed in dayrooms, plus the double-bunking of St. Louis Correctional Facility. (The FY 1999-2000 budget funds St. Louis as a single-bunked Level V facility; plans now are to open it as a double-bunked Level IV facility.)

FTEs	0.0
Gross	\$0
GF/GP	\$0

FAMILY INDEPENDENCE AGENCY

PUBLIC ACT 135 OF 1999

Analysts: Erin Black and Myron Freeman

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	13,471.3	13,228.3	(243.0)	(1.8)
GROSS	\$3,232,331,300	\$3,642,932,400	\$410,601,100	12.7
IDG/IDT	150,000	150,000	0	0.0
ADJUSTED GROSS	\$3,232,181,300	\$3,642,782,400	\$410,601,100	12.7
FEDERAL	1,899,962,600	2,374,089,800	474,127,200	25.0
LOCAL	103,597,200	48,539,500	(55,057,700)	(53.1)
PRIVATE	7,731,100	7,858,100	127,000	1.6
OTHER	92,532,500	123,565,500	31,033,000	33.5
GF/GP	\$1,128,357,900	\$1,088,729,500	(\$39,628,400)	(3.5)

SB 365

Referred to Appropriations
2/23/99

Passed Senate
3/25/99

Passed House
5/27/99

Conference Approved
by Senate
6/16/99

Conference Approved
by House
6/17/99

Effective
7/27/99

OVERVIEW - FAMILY INDEPENDENCE AGENCY

The FY 1999-2000 Family Independence Agency Budget (prior to supplementals SB 68 and HB 4075) reflects an increase in Gross appropriations (over the FY 1998-1999 level) of \$727.9 million (25%), and an increase in General Fund/General Purpose (GF/GP) appropriations of \$46.5 million (4.5%). Most of the increase in Gross expenditures is attributed to \$468 million in federal food stamp money which is recognized as an appropriation for the first time. This new federal mandated function requires states to administer food stamp benefits via the use of an electronic benefit transfer system. Increases in the area of Day Care Services caseload added an additional \$251.8 million of federal funding. Offsetting increased Gross appropriations were savings of \$192.4 million from projected caseload reductions within the Family Independence Program (formerly known as Aid to Families with Dependent Children). Increased GF/GP appropriations are mainly attributed to additional state funding required for Foster Care Services to shore up a base shortage (\$20 million) and a provider rate increase in the area of Foster Care Services and Adoption Subsidy (\$4.6 million).

Significant budget savings are achieved by recognizing a continuing downward trend in the Family Independence Program caseload and average monthly grant payments. This downward trend is due to a combination of emphasis on participation in the Department of Career Development's Work First program (which has led to increased employment) and a generally strong economy. During FY 1999-2000, the Agency will continue to emphasize employment, program simplification, and the increased use of family independence specialists — caseworkers who spend more time with clients in an attempt to reduce a family's length of time on assistance. These efforts are projected to push the average caseload for FY 1999-2000 down to 77,800 cases, a decrease of 32,200 cases from the FY 1998-99 budgeted level. This decrease will result in savings of \$192.4 million in Federal Temporary Assistance to Needy Families (TANF) funding. The TANF funding available but not expended by the state during FY 1999-2000 will remain with the federal government and will be available for state expenditure at a later date; Michigan's reserve with the federal government is expected to total about \$78 million by the end of FY 1999-2000.

In contrast to the decline in cash assistance cases, the Day Care Services caseload is expanding at a rapid pace. The average Day Care Service caseload level for FY 1999-2000 is 87,390 cases, an increase of 28,260 cases from the FY 1998-1999 budgeted level. This increase will result in additional expenditures of \$281.2 million Gross of which \$251.8 million is Federal Temporary Assistance to Needy Families funding. Additionally, expenditures within the Child and Family Services unit continue to rise. The new budget includes significant funding increases for each of the following programs: Foster Care Services (\$70.8 million), Adoption Subsidies (\$17.3 million), and Domestic Violence Prevention and Treatment (\$3.0 million). Funding of \$32.6 million was also added to meet various data processing requirements and initiatives. Other major changes in funding include \$8.8 million of additional federal dollars resulting from an increased federal Medicaid assistance percentage (FMAP) rate and \$40.1 million of additional TANF federal funding used to replace specific GF/GP dollars in certain areas — thus allowing a like amount of GF/GP dollars to be utilized elsewhere in the budget.

The Legislature adopted a number of changes that were not included in the Executive's recommendation. These include: \$33 million (all TANF) was added in the area of Day Care Services to establish a quality care accessibility pool; \$9.4 million was added for a 2.7%, 3/4 year (effective January 1, 2000) rate increase in the area of foster care and adoption subsidy; \$7.7 million in additional funding was earmarked for expansion of the annual \$50 per child clothing allowance to all families and; \$2.8 million appropriated for Kosovo refugees that may be eligible for cash assistance under the Family Independence Program.

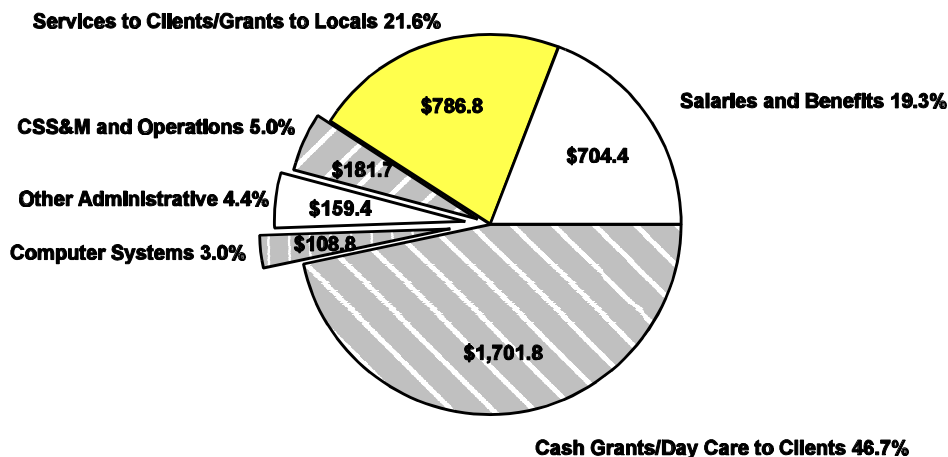
Family Independence Agency

The following graph depicts the composition of the \$3.6 billion FY 1999-2000 budget. Nearly 47% of the funding is allocated for day care services and cash grants including the family independence program, SSI state supplementation payments, energy assistance, and cashing out food stamps.

Services delivered to clients directly through the FIA and local agencies make up another 21.6%. Services include foster care, adoption subsidies, youth in transition, emergency relief, and employment and training services.

Payroll costs comprise 19.3% of the budget. Contracts, supplies, materials and operations constitute another 5%. Computer projects (including child support systems, ASSIST, and Department of Management and Budget computer services) account for 3% of the budget, and other administration costs (rent, child support incentive payments, and funding for commissions) comprise the remaining 4.4%.

Distribution of Family Independence Agency FY 1999-2000 Budget Gross Appropriation

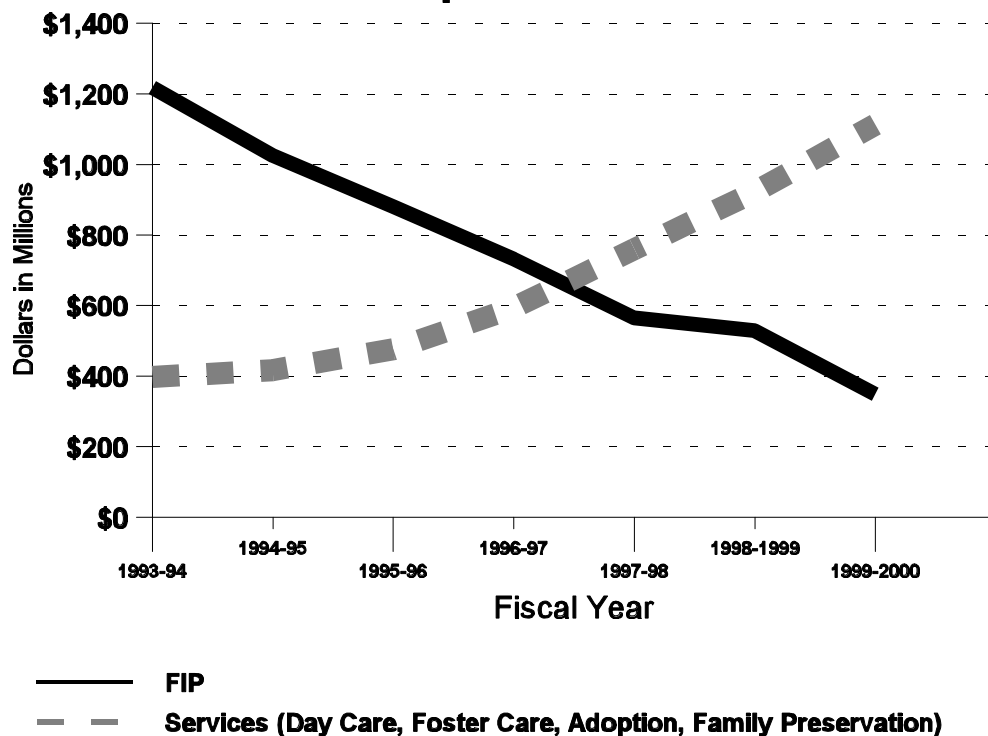


Gross Appropriations = \$3,642,932,400

The following graph illustrates recent funding trends for the Family Independence Program (FIP) and the four largest services administered by the FIA: foster care, day care, adoption subsidies, and family preservation and prevention services. The trend since FY 1993-94 has been a sharp decline in spending on FIP as the caseload decreased from 223,600 to an estimated level of 77,800 in FY 1999-2000. Expenditures in FY 1993-94 were \$1,218 million compared with projected expenditure level in FY 1999-2000 of \$349 million.

Spending on the major services has increased from \$389 million in FY 1993-94 to \$1,112 million in FY 1999-2000. Day care expenditures have risen as families have moved off FIP, foster care expenditures reflect a significant increase in the number of privately-provided delinquency treatment beds, a rising caseload has pushed up adoption subsidies expenditures, and an expansion of services has lead to increased spending in the family preservation program.

FIP vs Major Services Expenditures



NOTE: FYs 1993-94 through 1998-99 show Expenditures;
FY 1999-2000 shows Appropriations.

MAJOR BUDGET CHANGES: FY 1999-2000**Budget Issue****Change from FY 1998-99****1. Family Independence Program (FIP) Caseload Decline and Other Adjustments**

FIP funding of \$349.0 million Gross, (\$230.0 million GF/GP) is 34% lower than the FY 1998-1999 level of \$528.7 million Gross, (\$230.0 million GF/GP). The decline in the FY 1999-2000 appropriated level is due to a lower average projected caseload of 77,800 — down 32,200 cases from the FY 1998-1999 budgeted level — and a lower projected monthly cost per case of \$360 — down \$38 from the FY 1998-1999 budgeted level. The decline in caseload and monthly cost per case is due to a continued emphasis on client participation in Work First which has led to increased earned income for participants. Offsetting some of the savings noted above were the decisions to: extend the \$50 per child annual clothing allowance to all families, \$7.7 million Gross TANF funding; add a 2.5 percent cost of living increase for selected deferred Family Independence Program cases, \$2.1 million Gross TANF funding; and add \$2.8 million in TANF funding in anticipation of 500 refugees families from Kosovo relocating to Michigan.

FTEs	0.0
Gross	(\$179,771,400)
GF/GP	0

2. Day Care Services Increase

The enacted budget includes a \$314.2 million increase in the Day Care Services program. The budget reflects an increase of 28,260 cases over the 59,130 caseload level budgeted for FY 1998-99. The adjustment also reflects an increase in the average monthly cost per case to \$550 due to growth in hours of care per case and the average cost per unit. This \$281.2 million increase will be paid for with GF/GP and TANF funds targeted at working FIP clients and families who have recently left public assistance. It should be noted that a supplemental bill for FY 1998-99 has been enacted providing a \$120 million increase to cover the estimated shortfall in this area due to the projected caseload of 73,200. In addition, \$33.0 million (TANF) was added allowing the Department to establish a child day care accessibility pool to incorporate recommendations of the child day care report and/or for one-time incentive grants, outreach/technical assistance services, or start-up grants.

FTEs	0.0
Gross	\$314,213,000
GF/GP	\$29,410,000

3. Adoption Subsidies Increase

The enacted budget provides a \$17.3 million Gross increase in Adoption Subsidies. The increase includes a \$1.0 million federal grant to provide supportive services to families who adopt special needs children and \$13.8 million in federal funds to recognize a projected caseload increase from 16,200 cases in FY 1999 to 17,000 cases in FY 2000. Lastly, \$2.5 million Gross (\$1.2 million GF/GP) was added to provide a 2.7% adoption subsidy rate increase beginning January 1, 2000.

FTEs	0.0
Gross	\$17,278,700
GF/GP	\$1,163,200

4. Foster Care Increase

Funding was added to cover a foster care base shortage of \$64.0 million Gross (\$20.0 million GF/GP). It should be noted that a supplemental bill has been enacted providing a similar adjustment for FY 1998-99. In addition, \$6.8 million Gross (\$3.5 million GF/GP) was added to provide a 2.7% foster care provider rate increase beginning January 1, 2000.

FTEs	0.0
Gross	\$70,841,600
GF/GP	\$23,456,800

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

5. Wayne County Block Grant

The enacted budget includes \$64.5 million Gross (\$59.2 GF/GP) in a new line item to fund the Wayne County block grant. The block grant total includes a negative adjustment for Wayne County's abuse and neglect population, which is now the responsibility of the state. In October 1999, as provided in statute, Wayne County will take responsibility for its delinquency cases and the state will assume the county's abuse and neglect cases. The appropriation includes \$61.8 million transferred from other line items and appropriation units and \$2.7 million in new state costs due to a 3% FY 1998-1999 contract rate increase, a population adjustment, and fixed rent costs. In addition to the new costs, the net change from FY 1998-99 reflects a \$13.5 million decrease due to an education spending adjustment and projected purchase of services based on the assumption that Wayne County will use local funding to provide more community-based services while purchasing less from the state.

FTEs (243.0)
Gross (\$10,792,100)
 GF/GP \$2,695,600

6. Increased Funding For Data Processing Initiatives

Significant funding was added in this area to meet various data processing requirements and initiatives. Increased funding includes \$8.3 million Gross (\$3.3 GF/GP) for implementation of an Electronic Benefit Transfer System required for the cash-out of food stamps benefit (see item 7 below), \$2.7 million Gross (\$1.3 million GF/GP) was added to upgrade operating systems to Windows NT and to purchase extended warranties for existing personal computers, and \$3.6 million Gross (\$1.7 million GF/GP) was added to cover anticipated increased usage of E-mail and communication lines. The Department is to also incur \$2.0 million Gross (\$1.0 million GF/GP) as its portion of costs associated with the development and implementation of a statewide disaster recovery system. Finally, an additional \$9.5 million Gross (\$2.0 million GF/GP) was allocated to complete the Child Support Enforcement System and \$6.5 million Gross (\$2.2 million GF/GP) added to fund the development and implementation of the federally-mandated Central Child Support Collections and Distribution System.

FTEs 0.0
Gross \$32,591,300
 GF/GP \$11,585,700

7. Implementation of Food Stamps Electronic Benefit Transfers

For FY 1999-2000, new funding of \$468 million (all federal) was added to implement the federally-mandated program requiring distribution of food stamp benefits by use of an Electronic Benefit Transfer System. Prior to this mandate, most food stamp benefits were distributed to recipients in the form of a food stamp coupon. This new method should benefit the client in that it will allow for the purchase of food stamp eligible items via the use of an electronic payment method, thus eliminating the need to carry cash, and also should ease the stigma felt by some users of food stamps coupons. The new system should also help prevent fraudulent use of food coupons, prevent theft, and reduce administrative costs at grocery stores.

FTEs 0.0
Gross \$468,000,000
 GF/GP \$0

MAJOR BUDGET CHANGES: FY 1999-2000**Budget Issue****Change from FY 1998-99****8. Decreased Funding For Automated****Social Services Information System (ASSIST)**

Funding in this area was decreased by \$16.9 million Gross, (\$5.6 million GF/GP) for FY 1999-2000 in anticipation that the *work project balance* for this line item (\$36.7 million Gross, \$17.6 million GF/GP), together with remaining base funding (\$16.9 million Gross, \$13.0 million GF/GP), will be adequate to support expenditures in this area. Funding level for this program in FY 1998-1999 was \$33.8 million Gross (\$18.6 million GF/GP).

FTEs	0.0
Gross	(\$16,923,200)
GF/GP	(\$5,584,700)

9. Domestic Violence Programs

The enacted budget includes a \$3.0 million increase in Domestic Violence Prevention and Treatment to provide safe and affordable housing for domestic violence victims and their children. The increase will be paid for with TANF funds.

FTEs	0.0
Gross	\$3,000,000
GF/GP	\$0

10. State Supplemental Security Income (SSI) Increase

The FY 1999-2000 appropriation includes an additional \$1.1 million in state funding in this area to fund an anticipated 6,300 caseload increase for individuals under independent living arrangements. Additionally, a \$1.5 million increase in state funding was added to reflect a substantial rate change for an anticipated 813 individuals under the personal care (Title XIX) segment of this program. Rates for individuals in the personal care segment of this program increased from \$7 per month to \$157.50 per month.

FTEs	0.0
Gross	\$2,526,700
GF/GP	\$2,526,700

11. Expansion of Project Zero

The budget increases Project Zero funding by \$3.0 million (all federal TANF dollars) for the purpose of improving existing services to clients and expanding the program to additional sites. Project Zero is a pilot project designed to identify barriers so that all FIP clients will be able to secure employment and ultimately become self-sufficient. Presently, the program has been implemented in 35 locations throughout the state of Michigan. Funding level for this program in FY 1998-1999 is \$9.0 million (all federal TANF dollars).

FTEs	0.0
Gross	\$3,000,000
GF/GP	\$0

12. Increased Funding For State Emergency Relief

The FY 1999-2000 appropriation includes additional funding of \$555,000 (all state funding) for State Emergency Relief to cover increases in three programs: a) \$350,000 for indigent burials which is composed of a \$25 per burial increase to both funeral directors and to cemeteries or crematoriums, b) \$150,000 for multicultural assimilation and support services contracts, and c) \$55,000 to fund a new citizenship assistance program.

FTEs	0.0
Gross	\$555,000
GF/GP	\$555,000

Item c) was subsequently vetoed by the Governor.

ECONOMICS: FY 1999-2000

Economic Changes

Departmentwide economic increases for salaries and wages, health insurance, retirement, postage, supplies and occupancy costs totaled \$21.2 million Gross (\$9.1 million GF/GP). This was partially offset, however, by \$589,900 Gross (\$291,500 GF/GP) in economic savings from lower worker compensation insurance estimates.

FTEs	0.0
Gross	\$20,608,600
GF/GP	\$8,759,100

MAJOR BOILERPLATE CHANGES: FY 1999-2000
--

1. *Adoption Services Report*

Section 516 requires the Department to complete a study and report on adoption services for special needs children.

2. *Ten-Day Notice*

Section 618 requires the Department to provide ten-day notice prior to changing cash assistance.

3. *Vehicle Donation Study*

Section 621 requires the Department to conduct a feasibility study and develop a plan for the state to implement a vehicle donation program.

4. *Child Day Care Funding Report*

Section 645 requires the Department to conduct an evaluation of child day care funding and submit a report on or before November 15, 1999.

5. *Training and Education Guidelines*

Section 646 requires the Department and the Department of Career Development to establish clear, joint guidelines on work first participants eligibility for post-employment training support and application of training and education hours toward federal work requirements. The guidelines shall allow an individual to apply up to ten hours per week of actual classroom seat time plus up to one hour of study time for each hour of classroom seat time toward work requirements. Also, participants may meet work participation requirements through enrollment in a short-term vocational program requiring 30 hours of classroom time per week for a period not to exceed six months, or by enrollment in required full-time practicums.

6. *Child Day Care Accessibility Pool*

Section 650 allows the Department to establish a \$33.0 million child day care accessibility pool to implement recommendations of the child day care report (Sec. 645) and/or for one-time incentive grants, outreach/technical assistance services, or start-up grants.

7. *Child Day Care Provider Central Registry Check and Notification Timeline*

Section 654 requires the Department, within ten business days of receiving all information necessary to process an application for payments for child day care, to determine whether the child day care provider is listed on the child abuse and neglect central registry. If the provider is listed on the central registry, the Department shall immediately send written notice denying applicant's request for child day care payments.

8. *Child Day Care Late Payment Report*

Section 656 requires the Department to submit a report on the subject of late payments to child day care providers for the year of 1999.

9. *Extended Employment Services Program*

Section 657 requires the Department and the Department of Career Development to work together to develop a program to provide employment services to former Family Independence Program recipients and to recipients of non-cash public assistance benefits.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

10. Wayne County Block Grant Reporting Requirement & Audit

Section 706 outlines a reporting requirement for Wayne County as a condition of receiving funding under the Wayne County Block Grant contract and requires that an audit be started by the Auditor General.

11. FIA Spending Authorization During Wayne County Block Grant Implementation

Section 707 authorizes the Family Independence Agency to utilize the funds appropriated for the Wayne County Block Grant to pay for costs incurred during the 1999-2000 state fiscal year due to the anticipated transition time required for block grant implementation. The purpose of this language is to provide continuous services and to promote a seamless transition.

VETOES: FY 1999-2000

Citizen Assistance Program

The governor vetoed boilerplate Section 642 and applicable funding for the proposed citizen assistance program which was to assist legal non-citizens to become citizens of the United States. See item #12c under "Major Budget Changes" above.

Gross	\$55,000
GF/GP	\$55,000

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. Day Care Services Increase

Additional funding of \$120 million Gross (\$29.4 million GF/GP) was appropriated to cover an additional 14,070 child day care cases. The total budgeted cases for FY 1998-1999 have now reached 73,200. Targeted populations are working Family Independence clients and families who have recently left public assistance.

Gross	\$120,000,000
GF/GP	\$29,410,000

2. Foster Care Base Adjustment

Added was \$50 million Gross (\$13 million GF/GP) of base funding to the foster care payments line. Additional base funding is required due to an increasing caseload, including a higher percentage of children who possess greater "difficulty-of-care" characteristics.

Gross	\$50,000,000
GF/GP	\$13,000,000

3. Child Support Enforcement System - Funding

Funding of \$42.8 million Gross (\$14.5 million GF/GP), was added to complete the federally-mandated Child Support Enforcement System. It is the Department's goal to complete this system by September 30, 1999.

Gross	\$42,840,600
GF/GP	\$14,544,100

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

4.	<i>Child Support Enforcement System - Sanction</i>	Gross	\$0
	State funding of \$12.8 million was added in this area to replace a like amount of lost federal Title IV-D funding. Lost funding represents a sanction imposed by the federal government due to Michigan's failure to meet federal mandated benchmarks for implementing the Child Support Enforcement System. Specifically, the system implementation deadlines of September 30, 1997, and September 30, 1998, were not met. It is the Department's goal to be in compliance with the federal mandate by September 30, 1999, thus avoiding additional penalties.	GF/GP	\$12,754,000
5.	<i>Child Support Distribution Computer System</i>	Gross	\$32,793,300
	Additional funding of \$32.8 million Gross (\$11.1 million GF/GP) was appropriated to expedite development of the child support collections centralized collection and distribution system. System creation is mandated under federal welfare reform legislation and is required to be implemented by September 30, 2000.	GF/GP	\$11,149,800
6.	<i>Funding Shift for Food Stamp Administrative Costs</i>	Gross	\$0
	State funding of \$4.7 million was added for local office staff and operations to replace \$4.7 million in federal TANF funding. This funding shift was the result of recently-issued TANF guidelines which prohibits the use of TANF funding as a payment source for administrative activities associated with food stamp only cases.	GF/GP	\$4,700,000
7.	<i>Increased Funding for Community Services Block Grants</i>	Gross	\$500,000
	Funding of \$500,000 GF/GP was added for community services block grants. The additional amount will be allocated to the local community action agencies based on the proration formula in effect for FY 1998-1999.	GF/GP	\$500,000